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APR 27 2000

April 27, 2000

Mr. Jeff Walker
Regional Supervisor, Field Operations
U.S. Department of the Interior
Minerals Management Service - Alaska OCS Region
949 East 36th Avenue, Room 603
Anchorage, AK 99508-4302

RECEIVED

APR 27 2000

Re: **Fifth Semi-Annual Report**
Second Unit Plan of Operation
Sandpiper Unit
MMS Contract No. 750192001X
Murphy's M-3559

Public Information Copy

Dear Mr. Walker:

This "public information" version of the Fifth Semi-Annual Report under the Second Unit Plan of Operation for the Sandpiper Unit is submitted by **Murphy Exploration & Production Company** ("Murphy") as Operator of the Sandpiper Unit. Notwithstanding that Murphy has heretofore made assignment of its Sandpiper and other Alaska leasehold interests to its recently formed subsidiary, **Murphy Exploration (Alaska), Inc.**, since such assignments were but recently received, and have not yet been approved, by MMS and since documents transferring Operatorship to **Murphy Exploration (Alaska), Inc.**, have not yet been filed with you, this Fifth Semi-Annual Report is submitted by **Murphy Exploration & Production Company**. The filing is made on behalf of both our assignee and **Petrofina Delaware, Incorporated** ("PDI" or "Fina"), the other owner in the Sandpiper Unit. We anticipate filing the necessary transfer of operatorship documents during this May. Should there be any problem relating to this situation with regard to this Fifth Semi-Annual Report, please so advise as soon as possible.

The Second Unit Plan of Operation for the Sandpiper Unit covers the period November 1, 1997, through October 31, 2000, and calls for semi-annual reports to be submitted before May 1 and November 1 of each year. This is the Fifth Semi-Annual Report due under the Second Unit Plan of Operation.

As you are aware, since the filing of the confidential version of the Fourth Semi-Annual Report, Operatorship of the Sandpiper Unit has been transferred from a former owner of interests in the Unit, **BP Exploration (Alaska) Inc.** ("BPXA"), back to **Murphy Exploration & Production Company**. Likewise, BPXA has made appropriate assignments to Murphy and PDI relative to the affected portions of OCS-Y 0368 (All), OCS-Y 0369 (S/2), OCS-Y 0370 (Pt.), OCS-Y 0371(All) and OCS-Y 0828 (approx. E/4). They were signed and submitted to MMS in a timely manner. As regards Designation of Operator forms, at the time the assignments were submitted it had

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been requested that we not submit those forms just then; however, we have recently been requested to proceed in that matter and such designations are being prepared.

Current Activities

The following items were addressed in the prior Fourth Semi-Annual Report as either then-current activities being reported on or future activities.

- A. Core Studies The owners had undertaken further core studies to better understand water saturation and porosity issues in the reservoir. BPXA's Upstream Technology Group performed a core study, and the owners commissioned an additional core study by Westport. The core studies reduced the range of uncertainty around the reserves. The Westport study and the study performed by UTG were reviewed by and transmitted to MMS during a meeting held in BPXA's offices on November 12.

Current Period Report No additional such studies have been undertaken during the period since the prior report.

- B. Sandpiper Screening Studies and Northstar Capacity and Timing. Screening studies performed by BPXA during 1999 indicated that a subsea tie-back from the Sandpiper Unit to the Northstar Unit was the preferred development option at that time based on current technology. Development from a gravel island was likewise a possibility but it, too, would require a tie-back to Northstar. Although the BPXA Northstar team subsequently did additional work to optimize Northstar production, and the Sandpiper team more closely reviewed the fit between the Northstar and Sandpiper production profiles, it was determined that the Northstar production facilities are expected to be capacity-constrained until at least 2005. That evaluation disregarded additional constraints that could arise due to higher early production rates at Northstar or the development of satellites.

BPXA had also undertaken a Northstar Capacity Study to identify equipment bottlenecks and the cost of increasing production handling capacity. Although some discussion on those efforts was made in the Fourth Semi-Annual report, the conclusion was that the cost of increasing capacities sufficiently to allow for handling of expected Sandpiper volumes along with the expected Northstar volumes would not be economic whether done by Northstar owners or by Sandpiper owners.

It was also mentioned in the Fourth Semi-Annual Report that, although a Northstar tie-back was viewed as the most viable development option, it was recognized that significant changes in the technical and/or economic environment might in the future lead to a different preferred development option. Therefore, a continuing general, although low key, monitoring of such technical and economic considerations should take place until either a final commitment is made to a specific development plan or such changes in those environments are noted as would cause a reassessment of the preferred course of development.

Current Period Report With respect to capacity constraints, there have been no developments which would question the conclusions set forth above; therefore, there have been no further studies relating to the Northstar handling capacity constraints.

With respect to possible significant changes in the technical and/or economic environments which might lead to the possibility of a development option other than one involving a Northstar tie-back, no technological developments have been noted. As to the economic environment, although the recent and even present price of oil is obviously much better than that of 12 - 18 months ago, and even though the OPEC nations appear to have the objective of establishing an average price of about \$25/bbl, it clearly remains highly speculative as to whether that objective can be accomplished and sustained. Lacking present confidence in the sustainability of current prices, we have not conducted during this reporting period any new economic reviews of non-Northstar tie-back options. However, assuming both that the Sandpiper Unit continues in effect and that oil prices remain at or above the mid-\$20's level, then at least a brief re-review of such a possible development option might be in order during the next reporting period.

- C. **Exploration Plan for Delineation Well.** The Fourth Semi-Annual Report noted that the owners no longer were able to anticipate drilling a delineation or development well by October 31, 2000. Instead, Murphy was to submit a Third Unit Plan of Operation and a concurrent request for an extension of the current Suspension of Production. That Third Unit Plan of Operation was to link the timing of the delineation well and development activities at Sandpiper to the availability of processing capacity at Northstar facilities.

Current Period Report As MMS is aware, a draft of a Third Unit Plan was submitted in November.

However, problems were seen in that proposal and, some time later, an amendment to the existing Second Unit Plan was similarly discussed. Problems were also seen with that possibility. On April 6, however, a revised Third Unit Plan was informally submitted for discussion purposes and a formal meeting with regard thereto was held April 17. It is expected, as of this writing, that such a Third Unit Plan of Operation will formally be submitted to MMS prior to the expiration of the present Second Unit Plan.

- D. **Drill and Test Delineation Well.** See comments under C. immediately above.

Future Activities

- A. **Submission of Third Unit Plan of Operation** As noted under Current Activities (C) above, it is expected that a proposed Third Unit Plan of Operation will be formally submitted to MMS prior to the expiration of the present Second Unit Plan. However, in light of the discussions of April 17, it is not anticipated that such a plan can be finalized before April 30, 2000. Further, since the contents and requirements of a plan as discussed in that meeting have not yet been worked out in any detail, no elaboration of the contents of such a plan can be set out herein.

We and Fina look forward to your notice of acceptance of this Fifth Semi-Annual Report. As was the case when the Fourth Semi-Annual Report was filed, it would be appreciated if your acceptance notice would specify that, notwithstanding that the contemplated Exploration Plan for drilling of a Delineation Well has not been filed, acceptable progress under the Second Unit Plan has been made to date. Such a finding would thereby extend the Second Unit Plan through its final six month period, thereby allowing time for the discussions of this six-month period in general and of April 17 in particular to come to fruition.

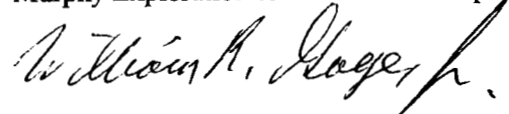
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If you have any questions or comments concerning this report, please contact the undersigned at (504) 561-2578.

Very truly yours,

Murphy Exploration & Production Company

A handwritten signature in cursive script, appearing to read "William R. Gage, Jr.", with a large, stylized flourish at the end.

William R. Gage, Jr., CPL
Senior Landman